

EXHIBIT A

The Big Read **Technology sector**

MindGeek: the secretive owner of Pornhub and RedTube

In the internet era, porn is everywhere but the company which owns some of the most popular sites is out of sight

Patricia Nilsson in London DECEMBER 16 2020

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Mario Salieri was shooting a pornographic movie in a lavish Prague villa two decades ago when he first caught sight of the computer geeks who were about to upend his industry.

“The owner of the villa asked me if we could offer a sandwich to a young computer programmer who had been renting a room,” says Mr Salieri. “The boy was pale and visibly hungry.”

A few years later, Mr Salieri discovered that “the boy” had bought his first Rolls-Royce Phantom. Like other coders, he had made a fortune selling advertising on the early free-to-watch porn sites, which today attract hundreds of millions of visits every day.

Once run by silk-robed moguls such as [Playboy founder Hugh Hefner](#), the adult content industry is now led by a secretive group of experts on algorithms, search engine optimisation and targeted advertising. “All of us old operators in the porn industry were busy counting our millions generated with the sales of VHS, DVD and TV rights . . . no one ever bet on the danger [of the new generation of pornographers],” says Mr Salieri.

In the internet era, porn is everywhere, but its owners are out of sight.

Porn pioneered elements of the global online advertising industry such as targeted advertising, pay-per-click and email marketing and is today a substantial part of the internet economy. So-called “tube” sites have also courted controversy over videos with links to exploitation of children and sex trafficking.



MindGeek’s headquarters in Montreal. The Luxembourg-registered group, which in 2018 recorded just over \$460m in revenues, entices more than 115m visitors to its websites every day © Kristoffer Tripplar/Alamy

Yet very little is known about the new group of operators whose pockets are being lined by the insatiable demand for sexually arousing footage.

No entity exemplifies this more than MindGeek, which with very little scrutiny or accountability, has quietly become the dominant porn company. The Montreal-based business is the owner of several of the sector's most visited sites including Pornhub, RedTube and YouPorn. At least according to public financial records, MindGeek towers over the pornography industry in Europe and America.

Despite this, basic facts about the company are largely unknown. That includes its main owner — a businessman called Bernard Bergemar, whose name is almost completely invisible on the internet but who has a claim to the title of the world's most successful porn tycoon. Until this Financial Times investigation, his identity was secret, known only to a small circle of MindGeek executives and their advisers.

MindGeek's website bears little trace of the adult industry. Instead, the company bills itself as a "leader in the design, development . . . and management of highly trafficked websites".

High traffic is an understatement. The Luxembourg-registered group, which in 2018 recorded just over \$460m in revenues, entices more than 115m visitors to its websites every day. In the US over the past month, for example, more web searches were recorded for "Pornhub" than "coronavirus" or "Trump", according to Google data.

Prospective MindGeek employees are told they will be able to take "big data to the next level", uncovering "user habits overnight that take others months to gather". Every day, roughly 15 terabytes worth of videos get uploaded to MindGeek's sites, equivalent to roughly half of the content available to watch on Netflix.



The Pornhub Christmas store in Milan, in 2017. In the US over the past month, more web searches were recorded for 'Pornhub' than for 'coronavirus' or 'Trump', according to Google data © Emanuele Cremaschi/Getty

In recent years, the largest internet companies have become both household names and the subject of intense political scrutiny. [Facebook founder Mark Zuckerberg](#) is regularly asked to testify before Congress, while [YouTube's content policies](#) are an issue of widespread public debate.

Online porn has not been completely immune to the sort of [political and regulatory pressure](#) that the big tech companies have started to face. After years of campaigns against revenge porn — sexual footage taken or shared without consent that often identifies the victim — and other forms of exploitation, Pornhub agreed on Monday to temporarily take down all content from unverified sources, while it rolls out a new scheme to verify users. There have long been stringent laws governing child pornography.

But even though it has reshaped an industry that is responsible for a significant part of the traffic on the internet, MindGeek and entrepreneurs such as Mr Bergemar have remained largely in the shadows. MindGeek's early lenders — including Wall Street names such as JPMorgan — made sure to also hide from view. And regulators have steered clear of asking too many questions.

“No politician wants to talk about the porn industry because then they have to acknowledge how it is part of everyday life,” says Kate Isaacs at Not Your Porn, which campaigns against the use of sexual images without consent. “So no one is holding a multinational corporation like MindGeek to account.”

Free content

MindGeek’s business model will be all too familiar to those who have watched the disruptive power of Silicon Valley. Most of the pornography hosted by its free-to-watch sites is uploaded directly by the public. Much like Facebook’s huge reach convinces news publishers to promote stories on its platform — with the hope it will drive subscriptions — many porn production studios post snippets of their films on to MindGeek’s sites, hoping that some viewers will want to pay for more.

But a vast amount of pornography available on free-to-watch tube sites is stolen. Jason Tucker, president of copyright enforcement consultancy Battleship Stance, says porn is the most pirated content in the world simply because “it is the most desired content in the world”.

Mr Tucker, who has worked with online porn companies since the late 1990s and counts MindGeek as a client, says large and well-established porn sites such as Pornhub are “the most responsible . . . they have too much risk not to adhere to laws”.



Swedish adult film director Erika Lust says MindGeek ‘came into the market with a business model based on piracy and completely destroyed the industry’. MindGeek says it has processes in place to detect and remove videos that violate other companies’ copyright © A.Marquez/EPA-EFE

Other people in the industry disagree and single out MindGeek as driving the free porn business model, which has squeezed profit margins for producers, squashed smaller companies and pushed down pay and working conditions for a growing number of actors.

“They came into the market with a business model based on piracy and completely destroyed the industry, putting many production studios and performers out of business,” says Erika Lust, a Barcelona-based adult film producer. She says her team sends MindGeek requests to remove her videos — both US and EU regulations mandate copyright holders to monitor whether their material is shared illegally — from their sites “weekly, if not daily”.

MindGeek says it has processes in place to detect and remove videos that violate other companies’ copyright or feature child pornography and other illegal content.

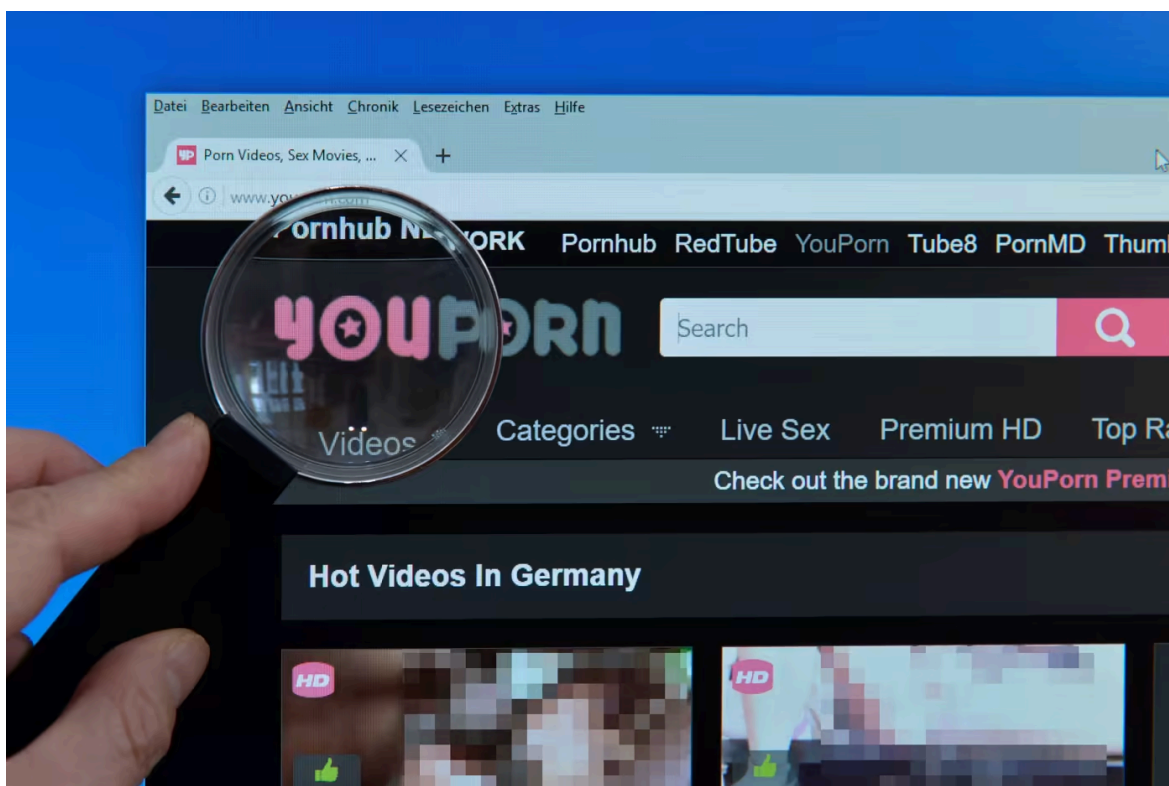
The company’s assurances are, however, questioned by campaigners such as Ms Isaacs, who was last year told by a Pornhub representative that the site had a “couple of dozen” people screening the vast amount of porn uploaded to the site.

MindGeek says the number cited to Ms Isaacs was “inaccurate” but declined to provide a figure. YouTube has roughly 10,000 people who work with moderating content uploaded to its pages.

Knowing users' fantasies

The man who defined the new era of porn was Fabian Thylmann. As a teenager in Germany in the late 1990s, he developed one of the first pieces of software that enabled website owners to charge for advertisements by tracking what visitors clicked on. It offered a glimpse of how lucrative online marketing could be if only there was something to attract crowds — such as free videos of people having sex.

With money made from his first venture, Mr Thylmann, began snapping up fledgling porn sites and production companies, which were struggling to compete with free sites full of videos ripped off from them. His stroke of luck came when he learnt that the Montreal-based groups behind Pornhub and Brazzers — which in 2010 were already profitable businesses and well-known brands — were up for sale.



YouPorn is one several of the adult content industry's most visited sites that are owned by MindGeek © ullstein bild/Getty
As a result of the deal, worth more than \$130m, Mr Thylmann was desperate for cash to expand his porn empire, then called Manwin. Mr Thylmann did not respond to requests for comment but in 2016 told attendees at a start-up conference that venture capitalists had been wary, telling him “the numbers look great, but it is porn, so I can’t get this past my board”.

The solution came in 2011, in the form of \$362m in debt from 125 secret investors that — according to one financial backer — included Fortress Investment Group, JPMorgan Chase and Cornell University. The two firms declined to comment, while the university said that its investment managers' portfolios are confidential.

Mr Thylmann told the conference-goers that interest payments were “a very, very steep cost, which if I will tell you, you would all fall over and think I’m crazy”. But “a very nice [profit] margin of 25 per cent” made the dizzying cost of growth worth paying.

The funding helped the software developer expand from 200 to 1,200 staff within three years, with dozens of corporate offshoots stretching from Montreal and Luxembourg to Ireland, Cyprus and the British Virgin Islands.

His run as one of the world's most powerful people in porn came to an abrupt end in late 2012 when German public prosecutors charged him with tax evasion. Soon after, he sold the company to senior managers Feras Antoon and David Tassillo, who renamed the company MindGeek and now run it out of Montreal. They both declined to comment for this article.



A demonstration in Thailand against the banning of Pornhub. “Pornhub is the adult site with the most traffic on the planet, that’s the pitch we were making to clients,” says one former employee © Lauren DeCicca/Getty

Detailed data tracking the sexual fantasies of hundreds of millions of people direct what MindGeek orders production studios to shoot for their subscription pages, which are then promoted on the company's vast network of tube sites to tap into their massive audience. If the "free" product flops, audiences for premium products grow and vice versa, leaving MindGeek profiting either way in what Mr Thylmann called "in-house competition".

"This is why MindGeek is one of the most powerful ones in the business, because they have these free sites and they have all the traffic and they don't need to depend on anyone else," he said in 2016.

Yet, until its most recent accounts in 2018, MindGeek had made only modest profits. Pre-tax profit reached \$38.3m in 2018, up from \$9.7m in 2017 and \$26m the year before, with net revenues hovering just under \$500m.

The legacy of Mr Thylmann's deal with lenders is one potential explanation for the modest profits, with MindGeek's accounts showing it has for years paid an annual 20.4 per cent interest rate on outstanding debt that in 2018 reached \$370m.

But money is also funnelled into a complex network of subsidiaries that MindGeek owns less than a third of and in which Mr Bergemar holds a significant set of shares, according to a person close to the company. These corporate branches, which control a network of companies to which MindGeek pays licence fees for its various brands and issue dividends to their undisclosed owners, were set up shortly after the porn company swapped hands in 2013.

MindGeek owes one of these subsidiaries \$200m in debt issued when Mr Bergemar entered the business, which is paid in monthly instalments that range from \$1.5m to \$1.8m, some years eclipsing declared profits. Another subsidiary, which in 2018 paid shareholders \$24m in dividends, increased its stake in two cash-generating companies that hold MindGeek's licences shortly after the refinancing of MindGeek's debt the same year, at a cost of \$149m.



A banner at an International Women's Day march in Toulouse carries the message 'I'm more than a keyword on YouPorn'. © Alain Pitton/NurPhoto/Getty

Mr Bergemar does not feature in the porn company's corporate filings and declined to speak to the FT. But several sources confirmed that, through a complex structure involving shares in MindGeek-controlled subsidiaries, Mr Bergemar is the group's largest owner and biggest beneficiary.

MindGeek would not comment on who currently owns its debt, but a former investor says one of the company's bigger backers was California-based investment adviser Glendon Capital, which focuses on "distressed opportunities". Glendon declined to comment, but a person close to the firm said it had sold its position.

The opaqueness surrounding the company's financing also covers management — the names of many of the company's senior executives who feature in corporate filings do not appear in internet searches, leaving little or no trace of who they are. Mr Bergemar appears on three Google results, all related to a decade-old court case where he gave evidence as the director of RedTube, the porn site MindGeek acquired soon after Mr Thylmann's exit.

Previous media reports have stated that Mr Tassillo and Mr Antoon bought the company from Mr Thylmann in 2013, and their names are — aside from anonymous family trusts and shell companies — the only ones listed as owning shares in MindGeek.

Industry frontrunner

MindGeek denies being the world's largest porn company, a position that would justify growing scrutiny into its business, and points to rival WGCZ Holding, a Czech-registered company behind tube sites Xvideos and Xnxx that is owned by two French citizens who share a surname.

But internally, the company is less modest, say former employees. "Pornhub is the adult site with the most traffic on the planet, that's the pitch we were making to clients," says one former employee, who handled client accounts at MindGeek's advertising network TrafficJunky. "They were making more money than anyone else [in the industry]."

Bandwidth data by network firm Sandvine confirms that Pornhub is the world's most popular adult site. Rival Xvideos comes close, but MindGeek controls an entire network of related businesses, with arms such as TrafficJunky and age verification service AgeID strengthening its arsenal of top-ranking tube sites and subscription platforms.

To critics, the taboo of sex has allowed MindGeek and other distributors to fall under the radar of regulators.

While Google-owned YouTube has been dragged in front of politicians for failing to spot and remove copyrighted videos or outright [illegal content](#) of people getting harmed, criticism of MindGeek and other tube sites has been muted.

"YouTube is a lot more visible and more conscious of reputational damage," says Lorna Woods, an internet law professor at the University of Essex.

Ms Woods, who drafted key parts of the proposal for the [UK's online harms bill](#), says that until this spring she had not paid much attention to MindGeek "which is interesting given the amount of research I have been doing in the field".

If MindGeek has benefited from a low profile, it continually finds itself fighting smaller companies that are trying to beat it at its own game.

MindGeek frequently takes smaller players to court for failing to take down pirated content, often using a Cyprus-registered subsidiary that has sent over 213m requests to Google, demanding it delists illegally shared content.

In one of its most recent lawsuits, filed at a Washington district court last February, MindGeek accused two smaller porn sites of “blatant infringement” of its copyright, stating it was “causing serious harm” to its business and “must be put to a stop immediately”. MindGeek, however, declared that it could not locate the owners of the websites it was trying to take down.

Ms Lust says the industry has acquired a reputation as “secretive and seedy”, with many sites providing no contact information other than an anonymous post box.

“These are the people who have the power to decide what we, and most importantly, our children can find online,” she says. “We need to know who is controlling the type of sex that we are being fed.”

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